

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 /106 W

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FM AMCONSUL VANCOUVER

TO SECSTATE WASHDC 2206

INFO AMEMBASSY OTTAWA

UNCLAS VANCOUVER 664

EO 11652 NA

TAGS ENRG, EALR, CA

SUBJ B.C. ENERGY COMMISSION CALLS FOR INCREASE IN NATURAL

GAS PRICES PAID TO PRODUCERS

1. BRITISH COLUMBIA ENERGY COMMISSION (BCEC) HAS RELEASED INTERIM REPORT ON NATURAL GAS IN B.C. REPORT FINDS RATE OF RETURN ON PRODUCER INVESTMENT IN B.C. HAS BEEN INSUFFICIENT AND INCREASE TO STIMULATE EXPLORATION AND DEVELOPMENT NECESSARY AND JUSTIFIED IN PUBLIC INTEREST. COMMISSION WAS SET UP BY BARRETT GOVERNMENT TO REVIEW ENERGY POLICY IN B.C. LAST FEB. BARRETT GOVERNMENT ASKED COMMISSION TO INVESTIGATE NATURAL GAS PRODUCTION.

2. COMMISSION CALLS FOR INCREASE IN WELLHEAD PRICE PAID BY B.C. PETROLEUM CORPORATIO, (BCPC) TO GAS PRODUCERS OF 15 CENTS PER THOUSAND CUBIC FEET (MCF) FOR "OLD" GAS AND 20 CENTS PER MCF FOR "NEW GAS" WITH INCREASE FOR OLD GAS ONLY BEING PAID WHEN PRODUCERS SHOW EVIDENCE OF 20 CENTS BEING SPENT FOR EXPLORATION AND DEVELOPMENT. BCPC IS CROWN CORPORATION AND SOLE PURCHASER OF WELLHEAD GAS IN PROVINCE. BCPC IS NOT CONNECTED WITH BCEC.

3. COMMISSION HAS ALSO RECOMMENDED 25 CENTS PER MCF INCREASE

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IN WHOLESALE PRICE OF GAS DELIVERED FOR B.C. INTERNAL

CONSUMPTION. EXPORT PRICES FOR GAS ARE SET BY FEDERAL GOVERNMENT AND JAMES RHODES, PRESIDENT OF BCPC, TOLD CONGEN OFFICER BY PHONE HE DID NOT ANTICIPATE A REQUEST TO FEDERAL GOVERNMENT TO PASS ON WELLHEAD PRICE INCREASE TO US CONSUMERS. IT APPEARS THEREFORE THERE WILL BE NO RPT NO INCREASE IN PRICE OF B.C. GAS EXPORTED TO THE US BEYOND PRICES PREVIOUSLY ANNOUNCED BY FEDERAL GOVERNMENT. THAT SCHEDULE CALLED FOR INCREASE FROM DLR 1.00 PER MCF TO DLR 1.40 PER MCF EFFECTIVE AUGUST 1 AND DLR 1.60 PER MCF EFFECTIVE NOVEMBER 1 THIS YEAR.

4. COMMISSION'S RECOMMENDATIONS MUST BE ADOPTED BY PROVINCIAL CABINET BEFORE TAKING EFFECT. TO STIMULATE ANY DRILLING AND EXPLORATION THIS FALL AND WINTER CABINET WILL HAVE TO ACT IN NEXT FEW WEEKS. EDITORIAL WRITERS HAVE ALREADY NOTED COMMISSION'S CONCLUSIONS CONTRARY TO PREVIOUS BARRETT GOVERNMENT STATEMENTS THAT OIL AND GAS COMPANIES HAVE "RIPPED OFF" B.C.

5. COPIES OF COMMISSION'S REPORT BEING POUCHED.  
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